



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE

November 4, 2003

Contact: Mitchel Benson
(916) 653-4052

ANGELIDES CALLS ON CALPERS AND CALSTRS TO TERMINATE RELATIONSHIPS WITH PUTNAM INVESTMENTS TO PROTECT PENSION AND TAXPAYER FUNDS

*SIX OTHER STATES, INCLUDING NEW YORK AND MASSACHUSETTS, HAVE TAKEN
ACTION IN WAKE OF CIVIL FRAUD INVESTIGATION*

SACRAMENTO, CA – California State Treasurer Phil Angelides today urged the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to terminate their combined \$1.5 billion relationships with Putnam Investments, a company embroiled in controversy over its corporate practices.

Last week, the U.S. Securities and Exchange Commission and the Commonwealth of Massachusetts filed civil fraud proceedings against Putnam and six of its former portfolio managers for allegedly engaging in unlawful "market timing" practices. Adding to questions surrounding Putnam's corporate practices, the company's CEO, Lawrence Lasser, resigned on Monday, after it was disclosed that he had earned more than \$160 million over the past five years, a time during which Putnam failed to adequately supervise its most senior executives – and during which many mutual fund customers saw their investment portfolios plummet.

"Putnam has failed to meet the standards that we, as fiduciaries, should expect from a firm handling billions of dollars on behalf of pensioners and taxpayers," said Angelides. "CalPERS and CalSTRS, as the first and third largest public pension funds in the nation, have an obligation to live up to the vow we have made to demand and expect the highest standards of conduct from the companies with whom we do business."

If California's pension funds act to terminate their relationships with Putnam, they will join the funds of six other states – Massachusetts, New York, Vermont, Pennsylvania, Rhode Island and Iowa.

In letters to CalPERS and CalSTRS regarding Putnam, the Treasurer wrote that "The public record reveals a host of severe warning signals: a lack of ethical standards, the lack of appropriate internal controls within Putnam, a fundamental breach of trust between Putnam and its customers, coupled with excessive executive compensation at a time when the firm was failing to police itself."

Angelides noted that the recent revelations regarding Putnam come in the wake of a breakdown in corporate ethical conduct that has sent shockwaves in the marketplace during the past two years. During that time, the State Treasurer, CalPERS and CalSTRS have taken a series of actions to help assure that our financial markets operate with integrity, transparency and fairness. Among those actions, the Treasurer's Office and both pension systems adopted Investment Protection Standards earlier this year, which require investment banks and money managers to meet the highest standards of disclosure and eliminate conflicts of interest or risk losing the opportunity to do business with the State.

Attachments



PHILIP ANGELIDES

*Treasurer
State of California*

November 4, 2003

Mr. Mark Anson
Chief Investment Officer
CalPERS
400 P Street, Suite 3492
Sacramento, California 95814

Dear Mr. Anson:

I am writing you regarding a matter of the gravest concern, the filing of civil fraud proceedings against Putnam Investments and six of its former portfolio managers and related revelations over the course of the past week. As you are aware, on October 28, 2003, the Securities and Exchange Commission and the Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth instituted separate security fraud proceedings against Putnam and its portfolio managers. Putnam itself has admitted according to several newspaper accounts that six of its portfolio managers engaged in "market timing" of the firm's funds several years ago, but took no disciplinary action against the managers beyond telling them to stop such trading. It is my understanding that Putnam manages approximately \$1.2 billion on behalf of CalPERS as a domestic and international equity capital growth manager.

These recent revelations of yet another breakdown in corporate ethical conduct has sent more shockwaves in the marketplace. During the past few years, the State Treasurer's Office and CalPERS, working together, have taken a number of actions during the past two years to help assure that our financial markets operate with integrity, transparency and fairness. We have worked together to advance an agenda of corporate reform to restore the faith and confidence in our financial system so necessary for continued economic progress. As just one example, our office and CalPERS adopted the Investment Protection Standards earlier this year, which require investment banks and money managers to meet the highest standards of disclosure and eliminate conflicts of interest or risk losing the right to do business with CalPERS.

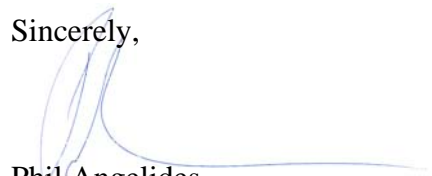
Mark Anson
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In the past few days, in addition to Putnam's own admissions as publicly reported and the allegations contained in the civil fraud proceedings, news accounts of excessive executive compensation for Putnam's Chief Executive Officer have come to light. On Sunday, the New York Times disclosed that Putnam's chief executive earned more than \$160 million over the past five years at a time when Putnam struggled amid the market's downturn and at a time when his firm failed to adequately supervise its most senior executives. On Monday, the Putnam chief executive resigned.

In light of all that has occurred and given CalPERS' substantial business relationship with Putnam, it is my belief that CalPERS should terminate its relationship with Putnam at the earliest possible time. Putnam has failed to meet the standards we should expect from a firm handling over a billion dollars on behalf of California's taxpayers and CalPERS' pensioners. The public record reveals a host of severe warning signals: a lack of ethical standards, the lack of appropriate internal controls within Putnam, a fundamental breach of trust between Putnam and its customers coupled with excessive executive compensation at a time when the firm was failing to police itself. Public pension funds in six states – Massachusetts, New York, Vermont, Pennsylvania, Rhode Island and Iowa – terminated their relationship with Putnam last week.

Thank you for your consideration and prompt attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Phil Angelides', with a long horizontal flourish extending to the right.

Phil Angelides
State Treasurer

cc: CalPERS Board Members
Fred Buenrostro, CEO, CalPERS



PHILIP ANGELIDES

*Treasurer
State of California*

November 4, 2003

Mr. Chris Ailman
Chief Investment Officer
CalSTRS
7667 Folsom Blvd.
Sacramento, CA 95818

Dear Mr. Ailman:

I am writing you regarding a matter of the gravest concern, the filing of civil fraud proceedings against Putnam Investments and six of its former portfolio managers and related revelations over the course of the past week. As you are aware, on October 28, 2003, the Securities and Exchange Commission and the Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth instituted separate security fraud proceedings against Putnam and its portfolio managers. Putnam itself has admitted according to several newspaper accounts that six of its portfolio managers engaged in "market timing" of the firm's funds several years ago, but took no disciplinary action against the managers beyond telling them to stop such trading. It is my understanding that Putnam manages approximately \$332 million on behalf of CalSTRS as a U.S. equity capital growth manager.

These recent revelations of yet another breakdown in corporate ethical conduct has sent more shockwaves in the marketplace. During the past few years, the State Treasurer's Office and CalSTRS, working together, have taken a number of actions during the past two years to help assure that our financial markets operate with integrity, transparency and fairness. We have worked together to advance an agenda of corporate reform to restore the faith and confidence in our financial system so necessary for continued economic progress. As just one example, our office and CalSTRS adopted the Investment Protection Standards earlier this year, which require investment banks and money managers to meet the highest standards of disclosure and eliminate conflicts of interest or risk losing the right to do business with CalSTRS.

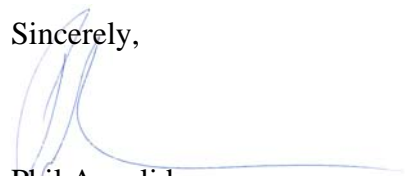
Chris Ailman
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In light of all that has occurred and given CalSTRS' substantial business relationship with Putnam, it is my belief that CalSTRS should terminate its relationship with Putnam at the earliest possible time. Putnam has failed to meet the standards we should expect from a firm handling over \$300 million on behalf of California's taxpayers and CalSTRS' pensioners. The public record reveals a host of severe warning signals: a lack of ethical standards, the lack of appropriate internal controls within Putnam, a fundamental breach of trust between Putnam and its customers coupled with excessive executive compensation at a time when the firm was failing to police itself. Public pension funds in six states – Massachusetts, New York, Vermont, Pennsylvania, Rhode Island and Iowa – terminated their relationship with Putnam last week.

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Phil Angelides
State Treasurer

cc: CalSTRS Board Members
Jack Ehnes, CEO, CalSTRS